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# Maine PERSperspective, Fall 2009

Maine Public Employees Retirement System

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## MainePERS' New Executive Director Completes First Six Months

Having recently completed my first six months as the Executive Director of MainePERS, I'm proud to share with you how much I enjoy living in Maine and serving its public employees and employers.

Maine is a wonderful state, as are the public employees working on the state's behalf. Our job at MainePERS is to manage member and employer information and invest the fund assets to provide current and future beneficiaries their benefit payment - an important part of each individual's retirement security.

The world is providing financial challenges to everyone today - individuals and businesses alike. We are sensitive to the challenges you face, and are improving our services each day to provide assistance that is helpful to you. We are meeting our business challenges head on - improving our services to you and investing our assets carefully to strengthen the funding status of our plans.



Sandy Matheson,  
Executive Director

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## Cost of Living Adjustment (COLA) Update



**How will the economy affect my benefit this year?** As a retiree, you see a cost-of-living (COLA) each September based on the change in the Consumer Price Index (CPI). For the first time in MainePERS history, the CPI was actually down—1.4% on June 30, 2009. The Legislature took quick action to avoid decreasing your benefit by the negative 1.4% CPI. They changed the existing law that required MainePERS to decrease your benefit in a year that the CPI is negative. This means that your benefit this year remains the same as last year. Next year's COLA will be reduced to cover the amount that should have been reduced this year.

### **Why does a negative COLA have to be recovered from my future benefit?**

Maine State law has always required that retiree benefits be reduced for a negative CPI. This is the first time MainePERS has been faced with applying this law. MainePERS and the Legislature worked together to find a way to comply with the law's intent but reduce the hardship on retirees by offsetting a negative COLA this year against a positive COLA next year. The dollars paid to you remain the same. The advantage is your benefit did not go down. We realize how important your benefit is to you, and so does the Governor and the Legislature. If you have questions about this change to this important part of your benefit, please call or write us. Your questions are important to us.

### **Why is there an additional change proposed in the law this year?**

The proposed 2010 legislation expands the 2009 law. This expansion allows your benefit to remain the same even if the CPI is negative two years in a row. MainePERS will reduce subsequent positive COLAs to cover the amounts that were not reduced in years in which the COLA was negative.

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**MainePERSpective**

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Editor: Robert L. Drury

## The MainePERS Board of Trustees

The MainePERS Board of Trustees sets policy for the System. State law specifies the qualifications for the eight members of the Board to include "a working knowledge of retirement policy and legal issues and a general knowledge and understanding of banking, finance, and investment practices." Each individual nominated as a trustee is subject to the legislative confirmation process.

### Congratulations to recently appointed Board of Trustees!

The MainePERS Board of Trustees recently welcomed new member, **Dimitri N. Balatsos**, appointed by Governor Baldacci effective September 8, 2009. Dimitri is the Chief Investment Officer of Tesseract Partners, a global investment advisory firm he founded in 1996. His professional career includes positions as Senior Economic Advisor and Chief International Economist with Manufacturers Hanover Trust; Director of Global Investments and Senior Portfolio Manager with Kidder, Peabody & Co.; and Director of Business Development and Senior Portfolio Manager with Lombard Odier & Cie, a large Swiss private bank. His worldwide reputation is built on over 30 years of experience as an authority in global finance and economics. He is the author of numerous articles on global financial markets and the world economy and has appeared frequently in featured interviews in Barron's Magazine.

Governor Baldacci re-appointed **Benedetto (Ben) Viola**, *Vice Chair*, to the Board as a Maine State Employees Association appointee by election; also re-appointed by the Governor is **Kenneth L. Williams** as a Maine Education Association appointee by election.

Other members of the MainePERS Board of Trustees include:



Peter Leslie, *Chair*



Ben Viola, *Vice Chair*

**Peter M. Leslie**, *Chair*, Member, Governor's direct appointee; **Catherine R. Sullivan**, Retired Teacher, Governor's appointment from Maine Retired Teachers Association; **Richard Metivier**, Maine Municipal Association appointee; **George Burgoyne**, Retired State Employee, Governor's appointee from retiree groups' nominees; and **David G. Lemoine**, State Treasurer, Ex-officio Member.

### MainePERS Online

The **Laws/Rules/Legislation** section at [www.mainebers.org](http://www.mainebers.org) contains legislation affecting MainePERS enacted by the 118<sup>th</sup> Maine Legislature (1997-1998) through to the most recently ended session. This helpful information is available in PDF format for quick viewing or to download and print. What is presented in this section is only a general description of each law and should not be used as the sole source of information for a law that affects you. Copies of any of the laws may be obtained from the Office of the Revisor of Statutes at (207) 287-1650.

## PL 2009, Chapter 322 [LD 1292]

### An Act to Provide More Transparency and Protection for Public Employees in the Laws Governing the Maine Public Employees Retirement System

Public Law 322, focusing on improvements to some parts of the retirement system, was passed in the 2009 Legislative session. This legislation promotes the current trend toward greater transparency in all government services.

We always welcome the opportunity to improve our services to members and employers, and are responding to this legislation by working with stakeholders to provide greater transparency and understanding of the process we use to process members' appeals to our decisions about benefits. Stakeholders with whom we are working are the Maine Education Association, Maine State Employees Association, and the Legislature.

We will be providing a report to the Legislature early in the upcoming session about changes we have made or are planning to make in the upcoming months.



#### Stressed Over Saving?



The economic downturn has encouraged everyone to take a closer look at their finances and spending habits. Many of us would say that paying bills is hard enough without trying to set aside money for savings. We have put together a section on our web site featuring no cost ways to save money and improve your financial independence. It's all online at <http://www.mainebers.org/saving.htm>—definitely worth checking out! Here's some of what you'll see:

#### MainePERS Membership

Did you know that MainePERS membership is one of the best ways to build financial freedom for retirement? As a member of a MainePERS "defined benefit" plan, you and your employer contribute money each pay period. When you retire, you get a definite, or "defined," payment in the form of a monthly benefit.

#### Think "Healthy, Wealthy and Wise!"

Finances are tight for many of us these days and the last thing we need are unexpected medical bills. Read tips for keeping fit and surviving the crunch.

#### Not Budgeting Already? You can Start Today!

Making sure that what goes out is less than what comes in puts you in control and allows you to decide what's important. Don't forget to include fun and relaxation. Included on the site is information on managing your money.

#### Chase Away those Credit/Debt Blues

Take a good look at your credit situation and see where you can make changes. Checking your credit report won't lower your score. Read information on obtaining your free annual credit report and get links to credit counseling sites.

#### Conserve and Stay Warm!

Reducing our energy use is an easy way to promote our own economic security. If lowering your electric bills, reducing greenhouse emissions, or recycling your household items for other uses peak your interest, check out the web site for good tips and links.



#### Start When You Can

Not everyone is in a position to set aside money for retirement right now, but if you can, take advantage of your employer's tax-deferred savings plan. When you invest for retirement in a tax-deferred account, the tax advantages help boost the power of compounding, which means you keep what you may earn. Instead of paying a substantial percentage to the IRS immediately, the tax is deferred. And you may reduce your federal income tax bill because you may be able to deduct your contribution. The System's sponsored **MaineSTART** program is available to Participating Local District members and is an excellent way to start—read all about it at [www.mainebers.org](http://www.mainebers.org).



## New Executive Director *continued*

### Contact the Executive Director

Hearing about those issues that are most important to our members and retirees is one of my top priorities as I continue in my job. I want to have a clear understanding of your priorities as I work with our staff to shape MainePERS into the best customer service system we all want it to be.



To make it easier for members and retirees to submit questions and suggestions, the MainePERS web site has a "Contact the Director" link. Simply go to [www.mainebers.org](http://www.mainebers.org) and click on the "Contact Us" tab at the top of the page. We have already received a lot of questions and are working on answers for each.

*Editors Note: Sandy Matheson became the System's Executive Director on April 1<sup>st</sup>. Ms. Matheson most recently was director of the Washington State Retirement System. The Board of Trustees selected Sandy for her leadership skills and vision. She brings broad-based public pension experience and innovative thinking on design and funding of programs and services that will assist MainePERS to meet future challenges. She holds degrees from Northwestern University and Washington State University.*

## Resolve 111 (LD 1431) Designing a Unified Retirement Plan

Retirement security is a topic of great interest to employees in all stages of their working career these days. Two factors important to many teachers and State employees are retirement health insurance and retirement plan benefits provided with employment.



The Legislature passed Resolve 111 creating a task force to look at these benefits for new State workers or teachers who start working **on or after January 1, 2011**. Specifically, Resolve 111 asks task force members to design a unified health and retirement plan that coordinates with or includes Social Security benefits for new State workers or teachers only. The basic idea is that Social Security and state retirement benefits that coordinate with it are more portable and fit a worker's desire or need to move between employers in their career.

The Task Force is composed of stakeholders from MainePERS and the Maine State Employees Association, the Maine State Employee Health Commission, Maine State Department of Administrative and Financial Services, the Maine Education Association, and the Maine School Management Association.

Task Force Members have been meeting since August, working to understand the environment in which employees are planning and preparing for retirement. In addition, they are studying the benefit structure of current members as well as options that are being considered in other states. Their final report will include their analysis and the steps they have taken to understand the costs and benefits a new type of plan could create. They will submit their report to the Legislature which will then decide what further action, if any, will be taken towards the creation of a new retirement plan for new State workers or teachers who start working on or after January 1, 2011.



## Does the Economy Affect My Retirement Benefit?



Changes in the economy do not have a direct impact on your retirement benefit because you are in a **defined benefit plan**. This means the benefit you receive at retirement is defined, or fixed, by a formula. This formula includes 1) the number of years you work in eligible positions; 2) your average earnings in these eligible positions; 3) the "accrual rate" which is the percentage of your average earnings you will receive for each year worked (for example, 2%); and 4) whether you retire earlier than the normal retirement age for your plan. When you retire, we know the amount we will pay you each month for the rest of your life. The only change to this amount will be for cost-of-living adjustments (see page 1 of this newsletter).

You will note this formula does not include how well the financial markets are performing.

### Why isn't the economy included in the formula?

Defined benefit plans are designed to provide you with a fixed amount of income each month in retirement. This means we need to plan ahead for how much you will be receiving and provide for, or set aside, the funds to pay you that benefit after you retire. This is where contributions to the plan and earnings on those contributions become very important. And where the economy and the performance of the financial markets is also important.

The money to pay your retirement check is saved in a trust fund which is supplied from the following three sources:

- ✓ Contributions deducted from your paychecks you earn in eligible positions. The percentage deducted each pay period is determined by the Legislature and set in law. A change in the law is required to change this percentage.
- ✓ Contributions your employer makes each month based on your earnings in an eligible position. Your employer's contributions are based on rates calculated by our actuaries and adopted by the Legislature with the goal of setting aside enough money to pay your future benefit.
- ✓ Investment returns MainePERS earns by investing your contributions and your employer's contributions. The economy and financial markets can have a big effect on investment earnings of the trust fund.

The majority of your benefit is paid from investment earnings in the trust fund. Your employer contributes the next largest portion. Because your contribution percentage is fixed by law, employer contributions vary based on how strong the investment earnings are over time.

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## MainePERS Investment Update

The financial markets were turbulent during Fiscal Year 2009 (July 1, 2008 to June 30, 2009). The Maine Public Employees Retirement System's (MainePERS) total fund was down 18.8% for fiscal year 2009, closing out the year with a market value of \$8.3 billion compared to \$9.6 billion at end of the prior year. For the calendar year January 1, 2008 to December 31, 2008 MainePERS lost 27.6%. While this performance is disappointing, it is consistent with the returns of the market and the median state public fund.

The MainePERS investment strategy is long-term in nature and considers a number of factors including market volatility, inflation, asset class correlations, and investment time horizon. The table below illustrates the average annual investment performance over the past three, five, ten and thirty years.

Long-Term Annualized Performance ended June 30, 2009				
	3 Years	5 Years	10 Years	30 Years
<b>Total Fund</b>	-3.1%	1.8%	2.3%	9.5%

On a positive note, more recent performance for the fund has improved significantly, with the total fund increasing 11.7% for the quarter ended September 30, 2009.

## Mailing Dates for Benefit Payments

MainePERS usually issues benefit payments on the next to the last day of the month. When the next to the last day is a Saturday, Sunday, or a holiday, payments are mailed on the next business day. For the remainder of 2009/2010, the System will issue payments on the following dates:

November 25, 2009	June 29, 2010
December 30, 2009	July 30, 2010
January 29, 2010	August 30, 2010
February 26, 2010	September 29, 2010
March 30, 2010	October 29, 2010
April 29, 2010	November 29, 2010
May 27, 2010	December 30, 2010

## 2010 Holiday Schedule

The MainePERS office will be closed on the following days in observance of the 2010 holidays:

NEW YEAR'S DAY	Friday, January 1 <sup>st</sup>
MARTIN LUTHER KING DAY	Monday, January 18 <sup>th</sup>
PRESIDENT'S DAY	Monday, February 15 <sup>th</sup>
PATRIOT'S DAY	Monday, April 19 <sup>th</sup>
MEMORIAL DAY	Monday, May 31 <sup>st</sup>
INDEPENDENCE DAY	Monday, July 5 <sup>th</sup>
LABOR DAY	Monday, September 6 <sup>th</sup>
COLUMBUS DAY	Monday, October 11 <sup>th</sup>
VETERAN'S DAY	Thursday, November 11 <sup>th</sup>
THANKSGIVING DAY	Thursday, November 25 <sup>th</sup>
THANKSGIVING FRIDAY	Friday, November 26 <sup>th</sup>
CHRISTMAS EVE	Friday, December 24 <sup>th</sup>

## PERS Pic - Fall 2009



Many of our staff travel around the state each month delivering presentations to groups of all sizes. Often, we hear comments from our staff about a scenic view or particular part of their travel that captures their attention. Fall in Maine gives us some of the most beautiful foliage found in the U.S. Pictured to the left is a photo taken by staff member Naomi Poland in Newport this fall.

## Economy *continued*

This is why employers are highly interested in our return on trust fund investments. **Even though our actuarial experts estimate employer rates based on a long-term estimate of earnings, a bad year (such as we experienced in 2009) decreases the amount we have available to invest.** This can increase what employers can expect to pay which in turn creates budget challenges for them.

